

South Carolina Energy Advisory Committee

September 11, 2002 Meeting Minutes

Attachment A includes a list of committee members and staff in attendance.

Attachment B is the Summary of Changes to the SCEO Strategic Plan.

Attachment C is the entire presentation given by the SCEO.

The Energy Advisory Committee (EAC) meeting began at 1:00 p.m. The topics of discussion are arranged under each agenda item in the order that they occurred.

I. Introduction & Welcome

- Chairman Reid called the meeting to order. Chairman Reid told the members that we have some updated materials for the notebooks and asked them to please insert this material as noted.
- Chairman Reid then asked the Committee to take a moment of silence in observance of the September 11, 2001 tragedy.

II. Approval of Minutes from April 10, 2002

- The following corrections will be made to the minutes of the April 10, 2002, meeting noting attendance:
 - **Corky Clark** – not present on April 10, 2002
 - **Eddie Plowden** – not present on April 10, 2002
 - **David Logeman** – present on April 10, 2002; and
 - **James Painter** – present on April 10, 2002
- A motion was made by Bob Long to approve the minutes, with the noted corrections. The motion was seconded by David Logeman and unanimously approved.

III. SC Energy Office Reorganization

- Dr. John Clark updated the Energy Advisory Committee on the reorganization of the SC Energy Office. Dr. Clark is now the Director of the State Energy Office. His presentation was on the history of the Energy Office dating from 1973 to its present existence. The history is as follows:
 - 1973-83 - Governor's Office
 - 1983-85 - Clemson University
 - 1985-87 - Santee Cooper
 - 1987-94 – Governor's Office; and
 - 1994 –present – State Budget & Control Board

He also referred to the current organizational chart of the SC Energy Office. It was noted that the Committee members will be provided an updated copy of this chart.

He introduced Mr. Bill Newberry, who is the Director of the Radioactive Waste Disposal Program and explained the functions of the program; and stated that Mitch Perkins is the Director of the Energy Programs. He also informed the Committee that the Energy Office is now under the Division of Insurance and Grant Services, under the direction of Mr. Tom Lucht.

Dr. Clark then informed the Committee that during the first week in October, the Energy Office would be moving the offices that are currently located on the 6th and 8th floors of the SouthTrust building and would be relocating into one centralized space on the 10th floor.

Chairman Reid next introduced D’Juana Wilson to the Committee members and told them that she would be taking care of meeting arrangements, notebooks, minutes, etc. for the Committee, as previously done by Carmen Harper, who has taken another position in state government.

IV. Update on Strategic Action Plan

- Ms. Billing stated that the committee was given a Draft Strategic Action Plan in April. This plan has now been finalized and she reviewed the changes to the Plan. The committee members were given a summary sheet that reflects the changes to the South Carolina Energy Office Strategic Plan. (Please see Attachment B).
- The members discussed the projects that the Energy Office included in the Plan that were deleted. It was explained to them that the projects were put in the Plan based on anticipated Federal funding. The Plan cannot be finalized until approval or denial of funding by the Department of Energy. Ms. Billing indicated that Mitch Perkins would review in his update that the SC Energy Office applied for nine special project awards and received four of them. The updated Strategic Plan reflects the ongoing projects as well as the new project awards.
- Mitch Perkins explained the timeline of writing and applying for grants to the DOE and how it relates to our budget deadline. He explained that we cannot delay our budget proposal to the DOE, so we include in the budget our anticipated funding, and once we receive grant award notifications, we then have to modify our Plan.
- Ms. Billing stated that we still have not addressed as much of the forecasting as we would have liked to include, but we will be coming up with a model on how we are going to address our future needs.
- John Clark commented that in the early 80’s he worked along with David Logeman, when Mr. Logeman was an Economist with the Division of Energy Resources, on energy projections and an energy database. As the Energy Office was constantly moved, this particular activity was stopped. He said that hopefully by the time of the next meeting, there would be some projections available to present to the committee.

V. Update on Merchant Power Plants

- Mr. Randy Watts representing the SC Public Service Commission gave a presentation to the committee. Mr. Watts first gave the committee background information on the Siting Act. He said that it became effective in 1972, and requires a certificate from the PSC for the construction and operation of any non-hydro generating facility with a capacity greater than 75 megawatts. The lone exception is any facility owned or leased to and operated by the SC Public Service Authority. The Act designates three statutory parties to each filing, they are DHEC, PRT and DNR. He said that there are several areas of consideration that must be determined by the Commission prior to granting a certificate. Generally, they involve determination of the need for the facility; environmental considerations and a finding that the facility will serve the interest of system economy and reliability. The Act further requires that a public hearing be commenced not less than 60 nor more than 90 days after the application is filed with the Commission.

- Mr. Watts reported that since 1998, we have had a total of seven Merchant Plant applications for certificates to construct and operate generating facilities in South Carolina. The owners of these facilities include entities such as Calpine, Entergy, Cognetrix, and FPL Energy. These seven applications represent a total combined capacity of approximately 5,000 megawatts with an estimated investment of about \$2.2 billion. This total combined capacity consists of 2,000 megawatts of peaking or simple cycle units with the remaining 3,000 megawatts being composed of base-load or combined-cycle generation. All of these plants were proposed to be fueled by natural gas and all the sites, except one, are in the upper portion of the state where there is availability of high voltage electric transmission lines, gas pipelines, and varying degrees of supplies of water. The one lone exception is located in mid-state and is proposed to provide steam to a host industry and sell power generated at the site on the wholesale market. Mr. Watts further reported that of the seven applications, five have received certification for a total of about 3,200 megawatts, one, representing 810 megawatts has been denied; and one with a capacity of 970 megawatts is pending before the Commission. Public hearings were held in all cases as well as two additional night hearings in the area of two of the proposed plant locations, to allow the general public an opportunity to present their views to the Commission. He reported that the application that was denied by the Commission was based on environmental concerns, including the diversion of a significant amount of water from the Reedy River. In addition to these Merchant facilities, the Commission has also granted three certificates to investor-owned utilities in South Carolina during the past several years for a total of 1,856 megawatts of gas-fired generation. Although there have been indications that additional Merchant Plant applications would be forthcoming, none have been filed with the Commission since December of 2001.
- Mr. Acker asked about the status of the approved Merchant Plants. Mr. Watts said that five applications were approved and one is still pending. He said that he thinks some of them have not gotten the additional permits. One of the problems that the PSC has is that once they certify them as a Merchant Plant facility and give them the certificate, it is almost out of their hands. They are then under the jurisdiction of the Federal Energy Regulatory Commission for the sale of power. After additional discussion, John Clark said that the staff of the Energy Office would provide to the Committee a copy of the status of the approved Merchant Power Plants. There was then a discussion on the determination of need for Merchant Plants for power that is not going to be used in South Carolina. Mr. Watts said that because Duke and CP&L service the North Carolina region as well, when the PSC looks at need, they don't just consider South Carolina in and of itself. Other regions are considered in the application process. Mr. Phil Porter commented that he remembers that there were some resolutions in the General Assembly concerning the polluting of the rivers and polluting of the air. The concern was that the power will only be sold at the most expensive rates, or that it will be sold to other states that may have higher priced power. Mr. Watts said that at this time, he did not know if these resolutions have been passed. The PSC has done a study that was presented at the stakeholders meeting, and at this time, there have been no addendums to the study. It is on the website if anyone wants to review it.
- The Committee was given a copy of the status of the Merchant Power Plant applications as promised by Dr. Clark. This information was updated as of May 2002. James Clark commented that there should be a time expiration on the Certificates of Need that are given

to the Merchant Power Plants since they may delay construction for several years, and situations may change over time.

VI. Current SCEO Activities

A. Loan Program Update

- Janet Lockhart, Manager of Finance and Administration, gave a presentation updating the Committee on the loan programs. She presented objectives for 2002-2003. The main objective is to develop a financing plan for state agencies by December 2002. This involves investing \$5 million in energy efficiency improvements at state facilities by December 2003; and to assist state agencies to immediately reduce energy costs. Ms. Lockhart then introduced Ms. Karen Hudson, who has joined the SC Energy Office as a Loan Fund Manager. Ms. Hudson has been researching what we currently need, what agencies are doing in other states, and what we can do in South Carolina to put together a good program.
- Ms. Lockhart reported that we still have the ConserFund program, in operation since 1997, for loans for energy efficiency improvements in the public sector. The Energy Office will continue to operate this fund just as we have been. We have \$2 million in that fund and have committed about \$500,000 at this time out of that fund.
- In the private sector loan program, the Energy Office is going to put a hold on this program until the spring because of their efforts with the state agencies. They will continue to do the background work on this program and have the Plan developed by June 2003. It will require some partnerships with banks, and other entities to put this program together.
- Mr. Caughman asked Ms. Lockhart to talk about recycling vs. energy. Ms. Lockhart asked everyone to refer to the "Summary of Loans Issued". She said that the two private sector loans that were done from the EnerFund were Recycling Market Development Loans. The energy savings from those comes from the fact that when you manufacture things that come from recycled materials, it generally requires less energy in the manufacturing process than when you manufacture from virgin materials. She talked about the loans that were done and how they will attribute to energy savings. As a follow-up to Ms. Lockhart's comments, John Clark said that the Budget & Control has directed us that we are in a budget crisis and we need to spend our time in reducing energy costs in the public sector for taxpayers.
- Ms. Lockhart then talked about the public sector loan program, known as ConserFund. She reported that we have issued six loans since 1999 from this fund. Last year four loans were done from the ConserFund and presently there are two loans that are pending. Mr. Cosgrove asked what would happen if there was a default with private sector loans. Ms. Lockhart responded that those loans are issued through banks and an entity now known as Business Carolina, formerly Carolina Capital Investment Corporation. These entities are backing the loans so they are secured loans.
- Mr. Plowden asked are energy audits funded to aggressively attack and identify places where you can best spend your money for loans for public agencies like buildings, etc. Ms. Lockhart stated that energy audits are provided for the public sector.

B. Special Project Awards

- Mitch Perkins, Director of the State Energy Programs, gave an overview of the special projects. He said that we submitted nine solicitations for special projects, and were

awarded four of them. They are as follows: **SC Million Roofs Initiative - \$49,575; Clemson Biomass-Farm Assessment - \$91,308; University of SC Green Dorm Fuel Cell - \$99,755; and Rebuild SC III - \$125,000.** Mr. Perkins gave a brief overview of these projects and stated that with cooperative agreements with other entities, we will incorporate these projects in the state of South Carolina.

C. Energy Information and Awareness Program Presentation

- Renee' Daggerhart, Public Information Coordinator, began her presentation by introducing E2 to the Committee. E2, short for "Energy 2 Learn", is the office mascot. He is seen in public service announcements and on many of the office publications. Ms. Daggerhart talked about the many information and awareness programs that are offered by the Energy Office, namely: judging science fair projects on the regional level; participating in home shows; making presentations to groups; publishing the *Energy Connection* newsletter; promoting Energy Awareness month; maintaining a website; and participating in community, school and group events. Ms. Daggerhart highlighted the E2L program, which consists of the K-12 energy education program. After a detailed presentation, which is attached, Ms. Daggerhart ended her presentation with a video of the two award winning public service announcements that have been produced in coordination with SC DHEC. Chairman Reid asked if any efforts were under way to do public service announcements and publications in Spanish. Ms. Daggerhart stated that the need has been recognized and we are taking this under consideration. After a brief discussion, Ms. Daggerhart explained the link between recycling and energy. The Energy Office is doing the energy portion of DHEC's environment – recycling projects.
- Mr. Plowden asked Ms. Daggerhart to provide to him the information that will be going out to Aiken Electric Cooperative for the month of October. He said that there might be an interest with the Berkeley County utilities in taking part of this project.

VII. Other Business

- Chairman Reid announced that Mr. John Lomax, representing Duke Power has retired. Mr. George Acker was present and will be replacing Mr. Lomax on the committee.
- Mr. Painter asked about the next meeting and after a brief discussion, the committee decided to meet again the first part of next year. Chairman Reid encouraged all members to individually contact the staff of the Energy office on any matters that are of interest to them.

Mr. Painter made a motion to adjourn. The motion was seconded by Mr. Plowden and unanimously approved.

The meeting ended at 3:00 p.m.

Attachment A

Committee Members in Attendance

1. Gerald Caughman
 2. Ken Cosgrove
 3. David Logeman
 4. Jim Grahl
 5. Eddie Plowden
 6. Bob Long
 7. James Painter
 8. Phil Porter
 9. David Reid
 10. Benedict Shogaolu
 11. James Clark
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Invited Guests in Attendance:

Mr. George Acker
Mr. Randy Watts

Staff Attending :

Dr. John Clark
Mitch Perkins
Janet Lockhart
Kate Billing
Bill Newberry
Renee' Daggerhart
Karen Hudson
D'Juana Wilson

Summary of Changes to SCEO Strategic Plan

1. Addition of introductory section including updated charts and graphs.
2. Restated Mission Statement to fit more closely with enabling legislation
3. **Energy Efficiency and Conservation in Facilities Program**
 - Energy Codes Training Videos
 - Industries of Future Project with the SC Manufacturing Extension Partnership
 - Deleted because projects were not selected for funding by DOE
 - LEED Green Building Program
 - Added after staff was asked to participate in LEED task force
4. **Transportation Conservation and Diversification Program**
 - Biodiesel Production Facility Study
 - Deleted because project was not selected for funding by DOE
 - E-Commerce Project
 - Added to reflect continuation of existing staff project
5. **Energy Information and Awareness Program**
 - No Changes
6. **Energy Resource Use and Development Program**
 - USC's Green Dorm Project
 - Added after DOE awarded Special Project funding for the project
 - Southeast Green Power Summit
 - Added to reflect continuation of existing staff project
 - SC Soybean Board Project
 - Added to reflect application made to Southern States Energy Board
 - Legislative Report
 - Added to reflect continuation of existing staff project

Attachment C

Energy Office Presentation